tlVIP Inquiry
Supplementary Submission No. 99 fa|
(Answers to Questions on Notice)

Australian Government

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Committee Secretary
Inquiry into Increasing Participation in Paid Work
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr Selth,

HOUSE **OF REPRESENTATIVES COMMITTEE ON PARTICIPATION IN PAID WORK QUESTIONS TAKEN ON NOTICE**

We are pteased to provide you with our responses to the questions taken on notice from the above committee on Wednesday 26th November, 2003.

if you require further assistance, please contact Pamela Kinnear on 6244 6186.

Yours Sincerely

Bruce Smith
Assistant Secretary
Welfare Reform Taskforce
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January 2004
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House of Representatives Committee on Increasing Participation in Paid Work

Response to Questions on Notice

Department of Family and Community Services

Members of the Welfare Reform Taskforce attended the House of Representatives Committee on Increasing Participation in Paid Work on Wednesday 26th November, 2003. A number of questions were taken on notice. Responses to these questions are provided below.

Question 1. In **the** OECD **report, Transforming Disability into Ability.**
How did the OECD go about comparing and moderating the various systems of the 20 countries included in the report?

In its report. *Transforming Disability into Ability,* the OECD states (p.39) that Australia had the lowest employment rate of people receiving disability benefits of all the countries studied (at around 10 percent). This figure is an accurate reflection of the incidence of reported earnings by Disability Support Pension customers and is based on information provided by FaCS to the OECD.

A full copy of the Report is provided for the benefit of the Committee.

The report can also be found on the OECD website at the following address:
http://wwwl .oecd.org/publications/e-book/8103021 E.PDF

Question 2. Is the current threshold (assumed to be $440,000) set too low? Confirmation was sought regarding whether it was correct that at one time (early 1990s?) the allocated pension was not included in the assets test. If so, what was the rationale was for its subsequent inclusion?

Response:

Suitability of Asset Test Threshold and Disqualification Limits

The assets test is designed so that people with substantial assets, apart from their home, use the assets (either directly or to produce income) to meet their day-to-day living expenses before calling on the social security system for support. The assets test has generous thresholds before it affects a person's rate of payment. These thresholds are indexed annually by movements in the CPI.

The application of these thresholds to pension payments is illustrated in the following table.

	Asset Test Threshold	Disqualification Limit
Single Homeowner	$149,500	$302,500
Homeowner Couples	$212,500	$466,500
Non-Homeowner Singles	$257,500	$410,500
Non-Homeowner Couples	$320,500	$574,500

1. Asset Test Threshold is the level above which a reduced pension is payable under the assets test.
2. Disqualification Limit is the level above which no pension is payable under the assets test.

The disqualification limits, i.e. the amount held in assets above which no age pension is payable, increase in line with increases in the thresholds and with increases in pension rates. As the above table indicates, a married couple would have to have more than $466,500 apart from their home to lose their pension. The home is exempt from the assets test.

Former Exclusion from Assets Test and Rationale for Subsequent Inclusion

Until 20 September 1998, the capital backing allocated pensions purchased prior to 1 July 1992 was exempted from the assets test. This exemption was removed when the current income streams rules were introduced in September 1998.

An underlying means test principle is that income streams should only be exempted from the assets test where the customer forgoes access to the capital as is the case with asset test exempt income (ATE) streams. With ATE income streams, access to the capital is surrendered in return for a regular, dependable income for life or life expectancy. As allocated pensions are readily commutable, the Government considers that the capital backing allocated pensions should be assessed under the assets test.

The Government's decision in 1998 to remove the grandfathering of allocated pensions purchased prior to 1 July 1992 was also premised on concomitant changes to the income test. The income test treatment of allocated pensions under the current rules is more generous than the previous rules as the deduction amount is based on the return of the full purchase price. Before the 1998 changes, the deduction amount was based only on the taxation based 'undeducted contribution[1] which means that, under the current rules, the deduction amount is larger than the one calculated under the pre 20 September 1998 rules. Had customers with allocated pensions on 20 September 1998 been subject to a savings provision, they would not have been subject to the more generous income test treatment.

Notwithstanding the above, the Government recognised at the time of introducing the September 1998 rules, that some existing income stream recipients may be significantly disadvantaged and that they would not be able to rearrange their financial affairs without facing a significant penalty. Accordingly, the relevant legislation included a provision for these individuals to seek an exemption from the new rules from the Minister for Family &

Community Services. In essence, the Minister could provide exemptions where individuals could demonstrate that they could not commute from an existing product without significant financial cost and where the rules would effectively reduce their income below the sum of the 'free area' under the income test and the maximum rate of pension. The Minister approved a small number of requests for exemption.

Question 3. What, if **anything, is FaCS doing to promote better school-to-work** transitions **for young people from jobless families so that they can avoid the intergenerational transfer of income support dependence and other negative effects** of long-term joblessness?

Response:

- The Australian Government has in place a wide range of initiatives and policies to support the participation and development of all young Australians with additional assistance for those at risk.

- The Australian Government provides financial assistance to young people and their families to negotiate the often-complex transitions between education, training and the workforce.

- Youth Allowance assists young people aged 16-24 years to study or look for work and also assists those temporarily unable to study or look for work because of illness or personal crisis.

- The Government provides approximately $2.3 billion of assistance through Youth Allowance and over $260 million through Austudy annually. Payments of Youth Allowance and Austudy are indexed annually with CPI to maintain their real value.

The Department of Family and Community Services Youth Bureau - Programs Branch has the responsibility for programs and initiatives that are targeted specifically to young people and students. The Branch provides services to assist young people, particularly those who are disadvantaged or at risk of homelessness through a number of programs. These programs are designed to assist young people with transitions (including school to work) and focus on engagement with family, education, employment and community. They include:

Job Placement, Employment **and Training (JPET) Program**

JPET assists disadvantaged and disconnected young people, aged from 15 to 21 (with a focus on 15 to 19 year olds), particularly those who are homeless or at risk of homelessness, to overcome personal and social barriers to participation and achieve greater social and economic participation in their communities. JPET is funded $79.5 million over 4 years.

Assistance and support provided through JPET may include help to:

- take up or re-engage with education, study or vocational training;
- find and keep work or be ready to find and keep work and/or;
- participate more in the social life of the community.

Barriers that young people assisted through JPET face mean that they cannot currently participate in employment-related activities, are unable to benefit from employment assistance and are, or have been, marginalised in the education system.

JPET also offers assistance to young people aged 18 to 21 years as part of their Centrelink Mutual Obligation requirements.

The Reconnect Program is an early intervention program for young people aged 12-18 years who are homeless or at risk of homelessness, and their families. Services are provided by community organisations and the objective of the program is to improve the level of engagement of these young people with family, work, education, training and community. Reconnect is funded $83.9 million over 4 years.

Reconnect is designed to break the cycle of homelessness, which can begin at an early age. It provides early intervention support through counselling, mediation, and practical help to the whole family.

Young people using Reconnect services may be assisted with a wide range of difficulties associated with early home leaving, including bullying or abuse, family violence, conflict, school exclusion or health issues, including substance abuse or mental health problems.

There are 98 Reconnect services operating nationally in urban, rural and remote locations across Australia and 14 of these services are Indigenous specific.

The Transition **to Independent Living Allowance (TILA)** was introduced to meet an identified need of support for young people leaving care and protection and making the transition to independent living (generally without the support of family). It is to be used in conjunction with other support, to help develop the resilience of young people who are leaving state-supported care and to allow them to overcome challenges in their transition to independent living.

TILA is targeted to those in greatest need to help defray the up-front costs that young people leaving state-supported care services may face when accessing accommodation, employment and education. Payment is via a one-off assistance package up to the value of $1,000, payable to the supporting agency for expenditure on the needs of the young person. It is not designed to be a direct cash payment to a young person, except in specific circumstances. TILA is to be delivered as part of an overall transition plan for a young person exiting care.

Linking the TILA payment with a transitional plan ensures that a young person exiting care will receive access to a range of support measures they have been actively involved in identifying. This will also ensure the allowance is sensitive to specific needs, including cultural and linguistic.

Encouraging a preventative and early intervention approach will help young people leaving state-supported care avoid future welfare dependency and crisis intervention by providing assistance at a critical stage in their lives.

There are 21 non-government agencies across Australia involved in administering the allowance. To be eligible for payment the young person must also be aged between 15 and 25 years.

The Mentor Marketplace program aims to build on the proven effectiveness of mentoring by increasing mentoring opportunities for young people aged 12 to 25, particularly those at greatest risk of disconnection from their families, community, education and work. The program aims to improve the outcomes for young people who are experiencing limited opportunities for participation in the social, cultural or economic life of their community. Mentor Marketplace commenced in 2002-03, with funding of approximately $4.4 million over three years.

The organisations already recommended for funding under Mentor Marketplace are providing mentoring services to a range of young people, including those at risk, those who have had contact with juvenile justice, young people in care, migrants and refugees, Indigenous youth, boys without positive role models, and students experiencing difficulty remaining at school. Projects have been selected in every State and Territory of Australia covering metropolitan, regional and rural areas.

* A host of additional initiatives support young people to participate in education, training, work and the community:

- The Department of Family and Community Services (FaCS) has been working with Centrelink and the Department of Employment and Workplace Relations and the Department of Education, Science and Training, to develop a Youth Servicing Strategy to focus on service delivery.

- Funding initiatives developed in response to the findings of the *Footprints to the Future* report are being implemented. In addition to the Mentor Marketplace and Transition to Independent Living Allowance (TILA) discussed above, they include 26 Innovative and Collaborative Youth Servicing (ICYS) pilots, *21* Partnership Outreach Education Model (POEM) pilots and 23 Career and Transition (CAT) pilots.

- The Australian Government has also introduced a new youth strategy, "Simple Service Solutions". This approach aims to assist young people to access the information, and support they need in a timely and coordinated way and reduce administrative burden for community organisations that are funded to deliver youth services. The Australian Government endorsed a joint Ministerial Declaration, *Stepping Forward - improving pathways for all young people* a joint commitment by education, training, employment, youth and community services ministers to work together to better support young people's transitions, with a focus on vulnerable young people in our community.

- The Australian Government also has a longstanding and extensive commitment to youth development. This is reflected in initiatives such as:

  - AUSYOUTH received $ 1.9 million over 2 years to facilitate, promote and encourage youth development. While the initiative ceased operations in August 2002, the host of valuable youth development resources it produced is still widely sought after.

  - Longitudinal study of participants in youth development $332,915 over three years.

  - Youth Activities Services (YAS) and Family Liaison Worker (FLW) Program - funded for $6.7million in 2003-04.

- The Youth Activities Services (YAS) Program is an early intervention program that supports young people (11-16 years) and their families by providing activities, outside school hours. There are 90 projects that are recurrently funded across Australia. In most YAS, the Family Liaison Worker (FLW) provides practical support and guidance to young people and their families and refers them on to specialist services as required. There are 83 FLWs operating within the Youth Activities Services program.

  - *Green Corps* - total funding for 2002 - 2005 of $70 million. Green Corps provides thousands of young people aged 17-20 years, with personal and skill development, training and improved connections with their community and the environment.

  - *The National Youth Roundtable* - provides the opportunity for young people and the Australian Government to exchange ideas on a range of issues that impact on young people.

  - *Australian Forum Of Youth Organisations* (AFOYO) was first held in July 2000 and provides major non-government youth sector organisations with direct access to and communication with the Government.